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Letter

Welcome to the premier edition of *Deliver*, a magazine about the strategies and trends that are shaping marketing and advertising today. We aim to deliver insight and ideas to help you maximize the promise of direct marketing as a strategic and integrated element of your overall communications mix.

Why this and why now? Let me explain: I, like you, am pressed by daily routine. Work, exercise, food, relationships, full-night's sleep (whatever that is) all demand my time and attention. I used to arrange my life around the Thursday night lineup on TV or spend my entire Sunday listening to the Top 40 countdown while reading the Sunday papers. I don't have that kind of time anymore. My media consumption is now about what I want, when I want it, where I want it and how I want it.

And this is likely the challenge you face every day at the office. We, as marketers, struggle to find new and innovative ways to get our message across to our customers and prospects. We operate in a world where the public controls the time, place and manner in which they receive and process marketing messages.

This is where the paper you're holding comes in: *Deliver* will explore and explain the latest marcomm ideas, offer insight from the experts and help you maximize your marketing communication results. *Deliver* is all about the sharing of great ideas, brilliant thinking and exemplary executions. I hope you enjoy *Deliver* and I hope you're motivated to write or e-mail us with opinions, ideas, anecdotes, insults, whatever (I think I can take it). Like all relationships, it's all about a direct, two-way dialogue.

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Cover photo: Colin Anderson/Getty Images





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Dennis Armbruster joined Carlson Marketing Group in 1990 and is currently responsible for overseeing consumer-related opportunities and driving the development and implementation of new consumer solutions. An expert in the areas of customer retention, customer relationship management and customer loyalty initiatives, he has served as a guest speaker on the subjects of relationship and loyalty marketing at conferences sponsored by the National Center for Database Marketing, Direct Marketing Association and the National Retail Federation.

“When consumers have options, they are empowered to interact with marketers on their own terms.”

— Dennis Armbruster

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Photographer
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Mitchel Gray has been making photographs for 25 years. He is the author of two best-selling coffee-table books, *The Lingerie Book* and *Lingerie Fantasies*, and has over 50 major magazine covers to his credit and numerous ad campaigns. After shooting fashion and beauty for 20 years, he now works primarily in the sports, fitness and lifestyle areas, both editorially and in advertising, with an additional emphasis on sports celebrity portraiture. He is based in New York City. You can see more of his work at mitchelgray.com.



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Dr. Martha Rogers is an acclaimed author, world-class speaker and founding partner of Peppers & Rogers Group, the world's leading customer management consulting firm. Named one of the 19 most important business gurus of the past century by *Business 2.0* magazine and “an innovator most likely to create visionary ripple effects” by the World Technology Network, Martha Rogers has been recognized for the past decade as one of the world's leading experts on customer-based business strategies and growing customer value.

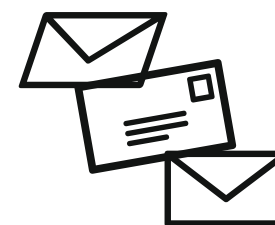


DON PEPPERS
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Don Peppers is co-author with Martha Rogers, Ph.D., of a series of international best-sellers that have collectively sold over a million copies in 14 languages including *The One to One Future*, which was named by *Inc. Magazine's* editor as “one of the two or three most important business books of all time” and which is considered by many as the bible of the CRM revolution. He is a columnist for the *Harvard Business Review* and *Wired*. Don Peppers' vision, perspective and thoughtful analysis of global business practices have earned him significant citations by internationally recognized entities.

WELCOME to the feedback portion of *Deliver*. This is your space to fill with ideas, comments, suggestions and opinions. Because this is our inaugural issue, we're using some of the more frequently asked questions we have on file, but please feel free to send us your questions, comments and suggestions. We want to hear from you — the good, the bad or just plainly. Send all feedback to:

FEEDBACK
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Or e-mail the information to us at delivermag@usps.com.



This is your
opportunity
to sound
off

Q. WE'RE TRYING TO DEVELOP OUR CRM PROGRAM, BUT ARE HAVING DIFFICULTIES WITH OUR DATA, WHICH IN MOST CASES SEEM INADEQUATE. ANY SUGGESTIONS ON MAKING IT BETTER?

A. The best way to optimize your CRM data is by having customers input the majority of it, says Scott Hornstein, co-author of *Opt-In Marketing: Increase Sales Exponentially with Consensual Marketing* (McGraw-Hill 2004). It's best not to try to make guesses about your customers' habits. Instead, let them tell you what they want. Also, focus on gathering only the data you need in order to provide your CRM services. Too often, companies grab more information than they need in the hope of being able to do it all, then see their CRM program collapse under the weight of all that information. By selecting only the information you need up front, you'll get what you need to have an efficient customer relationship program.

Q. WHAT MAKES A PIECE OF DIRECT MAIL GENERATE ACTION: A GIFT, A SPECIAL OFFER, SPECIAL PACKAGING?

A. With consumers so pressed for time, having a special offer or offering a token gift can get you attention — but only about half the time. A survey by Vertis, a Baltimore-based marketing services company, found that 37 percent of consumers felt getting a gift or token would make a difference in whether they read a piece of mail, up from 30 percent in 2002. The same study found that 51 percent felt a special offer was the key, up from 43 percent in 2002. As for interesting packaging, it was the clear winner: 63 percent said that made a difference, compared with 49 percent in 2002. Overall, though, 76 percent of the adults surveyed said they read direct mail advertising, a number that remains high despite consumers' growing time constraints.

Same as it ever was...

Remember that old saw about the marketing director who noted that half his advertising was working: "I just don't know which half"?

Well, welcome to the new, new world of marketing. Today's corporate leaders are fixated on the bottom line and increasingly fond of asking themselves (and their marketing teams) what they are getting in return for every marketing dollar spent. Return on Investment (ROI) has become paramount in all marketing efforts.

With the increasing fragmentation of media consumption, how can any of us continue to justify spending extraordinary amounts of money in traditional media, and still demonstrate a positive ROI?

This is a great question if you're a direct marketer. Why? Because direct is the one channel that consistently demonstrates return. Good or bad, direct puts its statistics right up front and lets a business know what it gained for what it spent.

It's been that way since the very first direct mail campaigns. Sure, there are new ways of reaching consumers now — you try their mailbox AND their inbox — and the presentation has become more sophisticated. But deep down, direct marketing now is what it was at the start: a cost-efficient way to get a response and be able to measure it.

Today's hot-button issues are discussed elsewhere in this issue of *Deliver*: the opt-in world, the empowered consumer and new privacy regulations. Yes, the world is different, but not *that* much different; consumers have always been demanding, regulations hard to deal with ... and the need to generate results is still paramount.

Direct is the definitive in a world of maybes. It is the one marketing discipline that demonstrably does what it says it does, and more.

So as you allocate marketing dollars, remember: When it comes down to it, the primary reason that direct marketing works is that it delivers measurable ROI, and that, thankfully, is as important as ever.

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PHOTOGRAPHY BY MITCHEL GRAY



A new definition of value

Never before has the gap between consumers and marketers been so great. What's needed is a new way of conducting business. One that recognizes that consumers hold the power in this relationship and the only choice is to work with them, not try to maneuver around them.

The Ernan Roman Direct Marketing company has conducted more than 1,600 hours of research interviews to understand the marketing requirements of consumers. The findings from this research present a compelling opportunity for marketers to bridge the chasm. Here are a few consumer comments:

"Be respectful of my time — don't make me sort through mountains of irrelevant stuff."

"Take the trouble to understand my needs."

"The fastest way to be forgotten is to buy."

"Don't use me as an 'executive mailroom' just because I'm the CIO — I will gladly tell marketers exactly whom they should communicate with, what information they need, when, and via what medium."

The solution: Decision makers are willing to spend the time to help us satisfy their needs — if we do it right. And that's where consensual/opt-in marketing comes in.

Consensual/opt-in marketing is about engaging customers and prospects directly in a consensual dialogue to understand their unique requirements so you can respond with meaningful, targeted value propositions.

It also means identifying the target and whether that customer is a decision maker or an influencer. It requires

understanding how the customer's decision-making process works and what their business drivers are, as well as any media preferences or aversions.

We recommend the following action steps to create a consensual data base full of rich, self-profiled information that can result in a double-digit response rate:

STOP INDISCRIMINATE "spray and pray" blasts of e-mail, telemarketing or direct mail. They erode your brand.

RETHINK YOUR MEDIA MIX Given the glut of e-mail, consumers are increasingly receptive to direct mail communications.

ENGAGE YOUR CUSTOMERS through precision integration of multiple media, timed at specific intervals.

- Start with PR for awareness.
- Send print advertising one week after PR in carefully targeted publications. This will drive response and soften the market in advance of direct mail.
- Send your first direct mail piece one week following the print advertising.
- Place outbound calls to highly targeted lists within 24 to 72 hours of mail receipt. Outbound telemarketing is an extremely powerful technique.
- Send a second direct mail piece or e-mail message as a follow-up to inquiries, responders and nonresponders, based on testing. ☒

Ernan Roman is a marketing pioneer and co-author of Opt-In Marketing: Increase Sales Exponentially with Consensual Marketing.

To receive a copy of the study about catalogs driving Web traffic and online sales, **log on to usps.com/deliver1**.

one 2 punch

Catalog/Internet strategy boosts retailers' growth

Hail the Snail. As Internet retailing became commonplace, it appeared the death knell was sounding for catalogs. Today, however, catalogs increasingly are being integrated into successful Internet-based retail strategies.

Today, more and more online retail sites are looking to catalogs to boost sales, and **vice versa**. "One of the trends we're seeing is a blurring of lines between offline and online," says eBay's Michael Dearing. "People are looking at catalogs and then jumping on the retailer's Web site to find those items. Catalogs really connect the online and offline shopping experience."

eBay, arguably one of the Internet's largest commerce sites, mailed its first-ever catalog designed to drive readers to its online retail site. The 32-page color holiday catalog was distributed to several million eBay members in November.



"The catalog is the latest tactic we're using in an integrated campaign," says Michael Dearing, eBay general merchandising manager. "We used the print medium during the holidays to keep eBay top of mind and drive readers to our Web site."

RESEARCH SHOWS ...

A recent study by the U.S. Postal Service® and comScore of 6,400 online shoppers supports eBay's Michael Dearing. That study found that, working together, direct mail and the Internet can drive online sales, increasing a consumer's spending by

16%
or more.

When receiving a printed catalog, consumers:

- are **twice** as likely to make an online purchase;
- are more likely to spend "quality" time on the retailer's site;
- make **15%** more transactions than those who did not receive catalogs; and
- spend **16%** more than those who did not receive catalogs.

"One of the best ways to drive traffic to a Web site is with a mail piece," says Sherry Chiger, editorial director of *Catalog Age*. "It is far more effective than online advertising alone."

Researching visitors to 40 retail Web sites including apparel, department store, home and garden, consumer electronics and computer hardware and software categories, the U.S. Postal Service study found that catalogs can significantly pump up online sales.

Catalog recipients accounted for **37%** of retailers' Web site sales even though they only made up 22 percent of total visitors.

While customers enjoy the user-friendliness of many online retail sites, they clearly enjoy shopping through direct mail catalogs first. Timing matters: Catalogs have their biggest impact in the first 30 days in-home.

QUALITY TIME

In fact, catalogs help customers enjoy a more meaningful online experience. Research shows they have an important impact on attracting consumers to a Web site, keeping them there longer and driving them through the purchase funnel. Catalog recipients made **16%** more visits than those who didn't receive a catalog, viewed **22%** more pages, spent **15%** more time at the retailer's site and were **75%** more likely to enter into the secure areas of a retailer's Web site where the transaction process begins.

These higher levels of engagement enhance the retailer's relationship with shoppers and deepen the experience by introducing consumers to more products.

CATALOGS CONNECT

"A paper catalog is much more appealing to the senses than images on a computer screen," explains *Catalog Age's* Sherry Chiger. "The photography is better and the copy is sometimes more detailed, so you're able to sell customers more effectively on specific products. From the print medium, you can then direct them to the company Web site if they want more specifications or to see the greater selection."

Lands' End, a subsidiary of Sears, Roebuck & Co. and one of the most active mailers in

33%
sales online

the apparel business, integrates all of its marketing channels so that catalogs drive customers to its Web site and to Lands' End product in Sears department stores.



Home Advantage

Custom publishing proves the 'soft sell' hits home with consumers

People tend to be skeptical by nature. They don't want to be "sold." So how can marketers reach them without making it sound like a sales pitch? One answer: Send them a magazine that's so visually appealing, so personal, so tailored to their interests — that their intrigue outweighs their uncertainty.

"A custom magazine allows you to form a connection with a customer that is totally unique compared to any other form of marketing communication," explains Jeremy Morris, senior vice president at Campbell-Ewald Publishing, in Michigan. "Once that connection is established, a relationship ensues between the brand and its constituent audience. With that relationship comes familiarity and, eventually, trust."

For more than 16 years, ACDelco, a global aftermarket parts supplier, has relied on a custom publication to maintain a solid relationship with distributors and independent service centers.

Its magazine, *Intune*, serves as the voice of ACDelco to its distribution channel. It provides in-depth coverage of industry trends and technological advancements, while also delving into high-level topics such as ACDelco's global positioning strategy.

"We needed a mechanism by which we could 'talk' to our customers on a regular basis, to keep ACDelco top of mind," says ACDelco Advertising Manager John Zamzow. "We have so much to say, and *Intune* is, quite literally, the best way to say it. Just as the name implies, *Intune*'s goal is to keep readers 'in tune' with ACDelco and the automotive aftermarket."

Recent survey results of *Intune* readers indicate ACDelco's magazine is getting through to its customers:

- Two-thirds of all survey respondents read all or more than half of their copy of *Intune* magazine.
- 80 percent of readers pass their copy of *Intune* on to at least one other person.
- Nearly 85 percent report the information to be very helpful to their business.
- Most replied having a "positive" feeling about ACDelco as a result of the publication.

"Ultimately, ACDelco wants to maintain its top of mind awareness with the key players in the automotive aftermarket, and it looks to *Intune* to help facilitate that effort," Zamzow explains. "*Intune* is a good medium for us to develop the whys and wherefores of what we do."

GET THE LOOK AND FEEL

For a custom publication to really hit home, it must look and feel like a bona fide magazine ... not a thinly veiled marketing vehicle. Compelling, informative content and an engaging design are vital, says Lori Rosen, executive director of the Custom Publishing Council, a New York City-based industry association.

"If done correctly — which means devoting significant resources to quality editorial and design talent, and avoiding hard-sell tactics — custom publishing works," she explains. "Why else would we be seeing annual growth of 10 percent in the industry?"

Industry experts stress that a custom publication must complement a brand's other marketing efforts — applying the same strategic focus and clearly defined objectives of any good communications campaign. The benefit is that it adds something extra to the mix.

"Custom publishing really combines the best of two disciplines," says Valerie Valente, vice president at Rodale Custom Publishing, which has offices in New York and Pennsylvania. "It offers all the analytical tools of direct mail, but also allows for a much more emotional and deep communication with the reader."

Valente can attest to the benefits a custom publication can deliver. She cites the example of a client who added a custom magazine to its direct mail strategy. "The response to the direct mail they were doing actually increased — as did the company's profitability — because we slipped a custom publication into their direct plan."

Ultimately, adds Morris, custom publishing is an efficient means of communicating your brand to millions of people.

"We know that the readers of our largest circulating title, *Friendly Exchange* magazine, spend 20 minutes or more with each issue — something you simply can't get with a TV or print ad."

"Now we live in an opt-in world, and custom publishing provides a non-invasive, nonintrusive way for customers to immerse themselves in your brand — in their own space and on their own time." ☐

PHOTO MONTAGE BY FLYINGFISH STUDIOS



1:1 Marketing

According to Peppers & Rogers, there are still lessons to be learned

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EMPLOYEES
200

AUDIENCE
250,000 CRM
DECISION MAKERS

NEXT UP
THEIR NEW BOOK,
RETURN ON CUSTOMER,
PUBLISHES IN APRIL

The One to One Future was heralded as one of the two or three most important business books ever written when it was published in 1993. Five more best sellers followed, and an industry was born. In their new book, scheduled to roll off the presses in April, Peppers & Rogers propose a radical and innovative business metric to calculate "Return on Customer." Here's a snapshot of what to expect.

Woodward & Bernstein are synonymous with investigative journalism; Masters & Johnson conjure up research into the mysteries of sexual behavior; Lennon & McCartney have you waxing nostalgically for yesterday. The literary ampersand also joins Peppers & Rogers to each other, and to CRM.

The keenly analytical approach of Don Peppers and Martha Rogers to Customer Relationship Marketing has spawned an industry. But the concept of CRM has also raised quite a few eyebrows from number crunchers who challenge the marketing principle with a lack of ROI.

Creating the coveted "customer feedback loop" requires capital investment. But it also requires a strategy that can be carried out by that capital investment. And therein lies a primary reason CRM programs fail (over 50 percent by some estimates): the lack of a sound CRM strategy. The usual result? Poor ROI, and even more raised eyebrows.

"A lot of companies think that 1:1 marketing is all technology," says Martha Rogers, speaking by phone from her office in Bowling Green, Ohio. "They think, 'If we just get the technology in place, we'll be OK.' And then they're not OK, and they don't understand why."

Adds Rogers: "Many companies think that if they maintain operational excellence and keep costs down, they don't need a customer strategy. Nothing could be further from the truth. Right now they're probably sending out way too many messages to people who may be sick of hearing from them."

"One of the reasons Martha and I are releasing our book," says Don Peppers, "is because there are a lot of companies that invested heavily in customer service or CRM systems on the theory that it's good to be nice to customers." The question is: How much investment for how nice a relationship?

YOUR SCARCEST RESOURCE: CUSTOMERS

Return on Customer offers more paradigm-shifting ideas from the authors who made paradigm shifting popular. In their new book, Peppers & Rogers put forward that customers are really a company's scarcest resource. Not capital. Not products. Prove you have customers, and you can get more capital. And if you can get more capital, you can produce more

“Current profit from a customer + the change in the customer’s lifetime value ÷ his beginning lifetime value = ROC.”

PHOTOGRAPH BY JOHN SOBczAK

products or purchase more products for resale.

"Customers create value for you in two ways," says Peppers. "They give you current sales, but they also change their intention to buy in the future."

The rub is that there has not been a good way of measuring the full scope of the return generated by customers. Until now. The duo has created an exacting business metric based on an idea that's been bubbling up on CRM Web sites for a few months.

"Return on Customer is calculated in exactly the same way as ROI, but in respect to a customer's lifetime value, which goes up and down," says Peppers. "So Return on Customer is the profit I make on a customer this quarter plus the change in the customer's lifetime value (this quarter) divided by his beginning lifetime value."

All right, class, let's review: Current profit from a customer + the change in the customer's lifetime value ÷ his beginning lifetime value = ROC.

Peppers believes this metric is a truer measure of 1:1 marketing results than the ROI standards that most companies are using to gauge CRM.

"Our argument is if you want to maximize your overall return from a customer — not just short-term value but also long-term — your people have to adopt an attitude

to earn the customer's trust," explains Rogers. "If I have a customer who calls me with a complaint, and I don't do a good job of resolving this complaint, the customer goes away angry. I lost value when he hung up the phone. His lifetime value went down. Companies don't account for lifetime value, but they ought to if they want to track true value creation."

The fundamental issue, Rogers says, is "How do I increase shareholder value by increasing the value of my customer base? How do I use the opportunities that I have to learn more about each customer and then use that information to become more valuable to each customer?"

The nature of business is that we learn from our mistakes. Peppers & Rogers acknowledge the soft underbelly of the implementation of 1:1 marketing, and arm companies with new metrics to measure their CRM efforts. Exhibiting the thought leadership they're renowned for, and keeping the customer firmly under the microscope, they are providing more tools for the job. ROC is more than another business acronym; it's potentially an invaluable business metric.

"ROC is a logical way to calculate the costs and benefits of the customer-specific behavior put in place in order to make any CRM program truly successful," says Peppers, adding, "and today is the first day of the next trend." ☐



perfect takeoff

Marketing innovations help Southwest soar

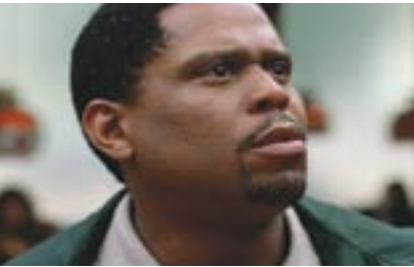
BY J. CHRISTOPHER HIPPLER PHOTOGRAPHY BY MITCHEL GRAY

The success of Southwest Airlines is the stuff of American business legend. A fledgling airline gets off the ground by offering short flights in Texas with a promise of on-time flights and low fares. Three decades later, it grows up to become one of the largest airlines in America.

While most domestic airlines are in the midst of a turbulent business climate, Southwest continues to soar. In 2003, Southwest was ranked as one of the most admired airlines in the world in a survey conducted by *Fortune* magazine. For the eighth year in a row.



Southwest combines direct marketing and broadcast television spots, in humorous and memorable ways, to build a successful campaign that drives travelers to its Web site to book flights. The company derives 60 percent of its revenues from online bookings.



Simplicity has been the key. For example, the company's fleet is made up entirely of Boeing 737s — reducing parts and maintenance costs. Ticketless travel helps cut administration costs. And, with no seat assignments to keep track of, the company eliminates most of the normal gate headaches.

That's also key to the company's marketing efforts, which rely on a tried-and-true formula of broadcast backed by direct — with a few surprises thrown in.

FLYING DIRECT

What's most amazing about Southwest's success is how the company has strengthened its position at a time when most other airlines seem to be weakening. Through the end of the third quarter of 2004, Southwest's net income was up 12 percent and operating revenue had climbed 8 percent to \$1.67 billion.

At the same time, the airline industry has seen some high-profile bankruptcy filings in the past six months and some analysts worry that there may be more to come.

Despite being part of an industry rocked by terrorist warnings and increasing jet fuel costs, and one in which an empty seat is revenue missed, Southwest has moved steadily forward, building business by building customer relationships.

To that end, Southwest's marketing efforts are simple but effective. The company uses massive television buys to get its humorous and memorable ads in front of as many people as

possible. But it backs that with direct mail and e-mail campaigns that also build the business.

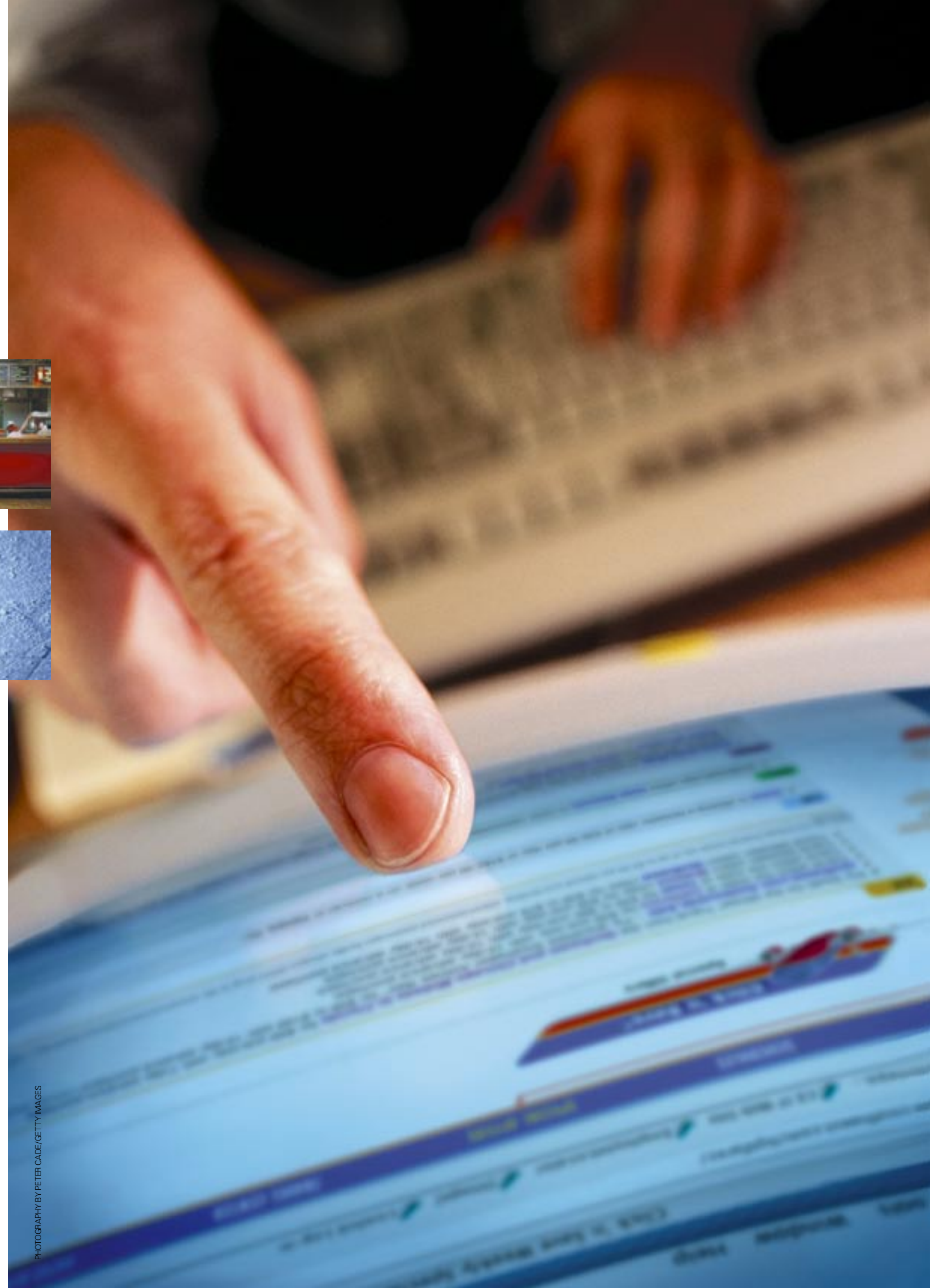
"We've found that if you have some kind of continual program in place, you have better ROI," says Susan E. Parker, senior director of marketing programs. "You also have a more logical communication plan to the customer. They're hearing from you regularly with meaningful information, so they are going to be more receptive to your offers."

Regardless of the channel used, the goal for each is the same: Drive customers to the Web site where more than 60 percent of all the company's revenue is booked. Since its inception in 1971, Southwest has offered customers access directly as well as through travel agents. In the old days, the company relied on call centers, but the bulk of business has now shifted to the Web.

Much of the direct campaign is aimed at members of its frequent flier program, Rapid Rewards. But the company also drives its fair share of casual fliers to its Web site.

For example, Southwest has more than 4.3 million subscribers for its weekly Click 'n Save fare e-mail list. The feature is so popular that Southwest derives more than half of its annual revenue from the specials.

And while the company is highly secretive about numbers related to its Rapid Rewards program, industry reports say members redeemed about 2.5 million free flights in 2003, up 13.6 percent in a year when most other airlines saw a decline in their numbers.



PHOTOGRAPH BY PETER CADE/GETTY IMAGES



Yet even as it drives passengers to the Web to book travel, Southwest still finds time to send many of its members a birthday card in the mail.

"There's absolutely no solicitation for business, no offer," says Parker. "It's strictly a love letter, if you will, from Southwest to the customer celebrating his or her special day."

And it works. "Overwhelmingly, year after year we receive the most comments on this simple, personal initiative," says Parker. "Customers write to thank us for being so thoughtful and caring."

It's part of the company's philosophy to make the most of its resources, she adds.

"We're always making sure that when we put a message into someone's home — whether in their e-mail inbox or their mailbox — it's worthwhile and they're going to find value in it. That it's going to help create a personal relationship with them," adds Parker. "I don't know of any other company in the industry that does that. It's things like that that set us apart."

COLLABORATION PAYS OFF

Another thing that sets the company apart is the long-standing relationship it has with its marketing agencies, GSD&M,

which oversees the brand, and Targetbase, which handles direct marketing.

"We work in concert with GSD&M," says Parker. "They have been our long-standing strategic and advertising agency of record. We also have a 15-plus-year partnership with Targetbase, whose role is focused on our targeted and data-base marketing."

Southwest's direct marketing strategy complements the airlines' overall marketing strategy and is developed jointly by the in-house loyalty group and Targetbase.

"One of the joys of working with Targetbase is they take on our mission as their own," says Joyce Rogge, senior vice president of Marketing at Southwest. "They say, 'OK, if your mission is to give people the freedom to fly, how can we help make that happen?'"

"Strategic collaboration between Targetbase, GSD&M and the Southwest team is our strength," says Parker. "We don't work in silos based on the communication channel. We work on what is the strategy or what is the marketing solution that we're trying to accomplish on an integrated basis."

So far, it's been a flight pattern for success. ✉

A New Way to Get Noticed

Capture attention and ROI with the most creative mailer you can dream up

How do you get top corporate executives to respond to your marketing message? Send them a box of doughnuts. Or a motorcycle. Or even a jet. That's what smart companies are doing to bust through the clutter of marketing messages and get heard.

For example, Grand Rapids, Mich.-based The Company Jet, which sells fractional jet ownership, created a mailer in the shape of a jet and delivered it to executives at corporations in the Midwest. They followed that piece with a phone call. The result was a 35 percent boost in the number of executives who remembered receiving the mailer, compared to previous mailers the company had sent, and a greater awareness of its offerings.

"Our primary goal wasn't to directly sell, but to inform," says Andy Maier, director of client services at Felder Communications Group, also of Grand Rapids, Mich., which produced the piece for The Company Jet. "This piece really opened doors for us by giving us a specific reason to be calling these people, and almost everyone wanted to learn more about jet ownership as a result of the mailer."

Customized MarketMail® (CMM) isn't new technology. It's been around for several years, but recent rate changes now make it much more advantageous. Costs have come down and the results speak for themselves.

For example, Great Circle Family Foods, a franchisee of Krispy Kreme donut shops, recently used a MarketMail coupon piece — shaped like a box of doughnuts, naturally — to drive traffic to three specific stores in its Southern California market.

The mailer, which was sent to 10,000 residents in close proximity to the stores, generated a 12 percent return, compared with only a 2 percent to 3 percent response for previous mailings.

"With CMM, companies can give consumers something they not only can touch, but will remember, something they will keep, something that sticks out above anything else they might receive in the mail," says Tom Becker, president of ShipShapes, a Park Forest, Ill.-based company that designs and produces CMM mailers.

"CMM encourages people to act," says Becker. "It moves them to buy, participate or learn more about a product, service or event." ✉

What is Customized MarketMail (CMM)? It is a special mailer that can be die cut in unusual shapes. Made of plastic, it easily flexes to fit into a mailbox and requires no envelope, so it really stands out. To learn how CMM can help raise your message profile, [go to usps.com/deliver1](http://go.to.usps.com/deliver1).



full speed

U.S. Navy campaign accelerates recruitment



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BY THOMAS J. FORDE

PHOTOGRAPHY BY JOHN SOBCZAK

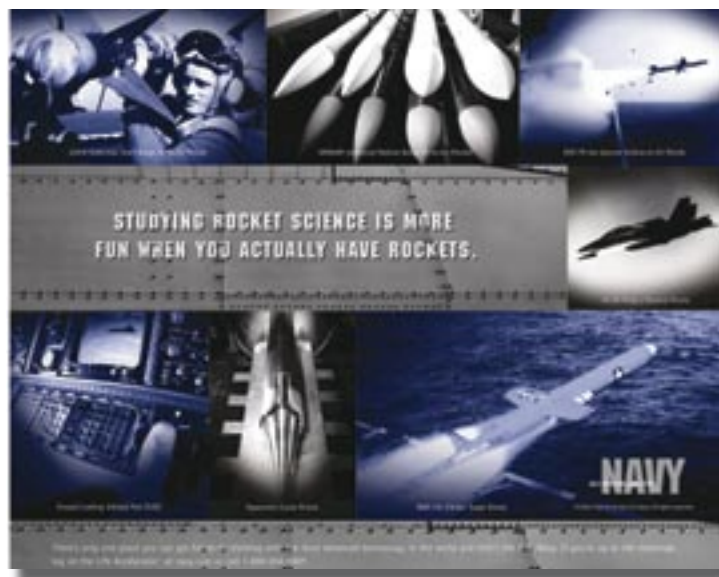
The U.S. Navy's message to America's youth? "Accelerate your life." Its approach to getting young adults to heed that message? An accelerated marketing campaign. By relying on an integrated national marketing campaign, the Navy picked up the pace in its attempt to get young people into uniform.

The Navy is using a multichannel strategy to educate, motivate and stimulate its target audience — 17- to 24-year-olds — about a career in the Navy. This integrated strategy drives traffic to its "Life Accelerator," an online assessment tool on the Navy's Web site that matches career interests with job options in the Navy.

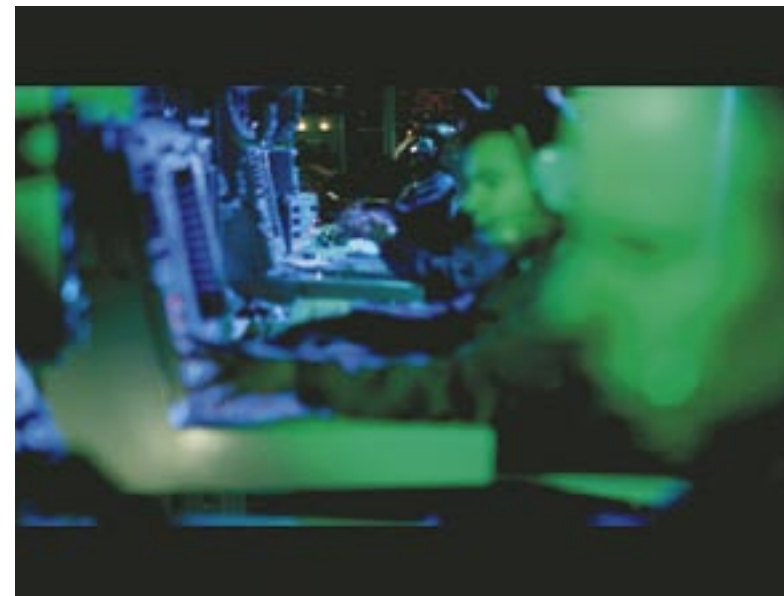
Results have been extraordinary: The Navy has met its planned recruiting goals for the last three years — an unprecedented achievement since the inception of an all-volunteer armed forces.

"We've been successful because we've targeted the right audience with the right message," says Capt. David Faasse, U.S. Navy advertising and marketing director. "Even with mass mailings, we've succeeded in talking on an almost one-to-one basis with potential recruits."

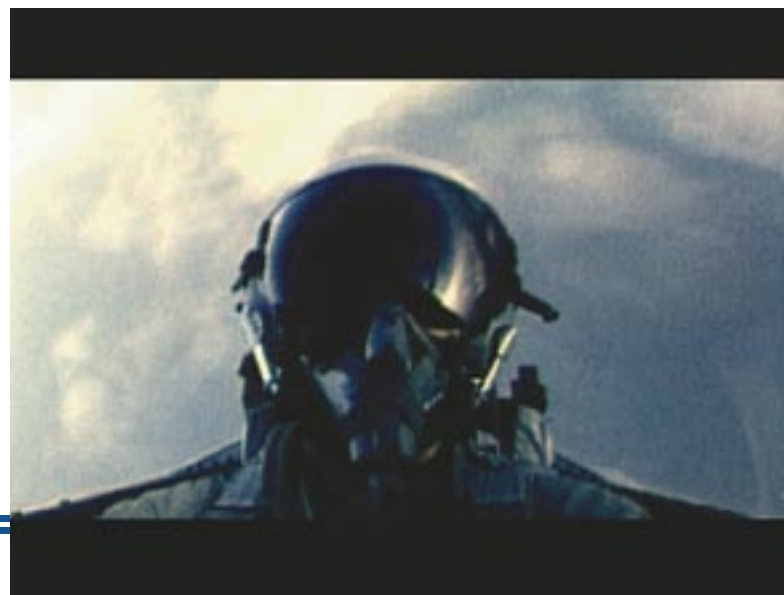




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As part of its multi-layered campaign, the Navy used these "Rocket Science" print and television ads to position itself as the employer of a lifetime, showing the vast opportunities available for skilled careers.



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INSPIRING HOPES AND AMBITIONS

Reaching the right audience was only part of the challenge in designing an effective marketing campaign. First, the Navy had to position its brand as a life-transforming adventure that will accelerate recruits to the highest levels of achievement — in the Navy and beyond.

The Navy worked closely with its advertising agency, Campbell-Ewald, to create a campaign that poses provocative questions and notions that inspire the audience and get them to reflect on their hopes and ambitions. One ad makes the claim that "Rocket science is more fun when you actually have rockets." A public service announcement shows a montage of Navy personnel holding pictures of loved ones, with the closing line, "It's not for ourselves alone that we serve."

While working to get that message to the highly qualified candidates the Navy wants to attract, it must also dispel the myths about its brand — for example, that there are no opportunities for skilled careers within the Navy.

"One myth is that Navy doctors only practice medicine aboard ship in the middle of the ocean," Faasse said. "That couldn't be further from the truth. There are limitless options in the Navy Medical Corps, including research, surgical opportuni-

ties and virtually all dental and medical specialties."

To counter, the Navy works hard to get the Navy message and detailed information to recruits and influencers such as guidance counselors, college financial aid officers and others who have close contact with potential recruits.

"Obviously, we want recruits and their families to make informed decisions," says Faasse. "The Navy can be a tremendous choice for young people. Our whole campaign is centered on the unique opportunities people receive in the service."

Among the biggest challenges is determining the process a young adult goes through to make their first major life decision and what messages might make that choice easier.

BALANCING THE APPROACH

In order to execute this strategy, the Navy relies on a multi-layered campaign.

"We call our approach to these objectives the three-legged stool," says Barbara Hays, Campbell-Ewald Advertising senior vice president and management supervisor for the Navy account. "We use digital media, traditional advertising and direct mail to meet our overall objectives.

"If we reduced one leg of the stool, so to speak, it would fall

over. If we cut the amount of TV advertising, we wouldn't get as many hits on the Web, if we didn't send a direct mail piece or an e-mail blast, it affects Web traffic. We worked hard to find the right mix."

THE RIGHT MIX

Increasing awareness of the possibilities offered by a Navy career is a major goal of the traditional media the Navy employs. Radio and TV are important in communicating brand messages to a mass audience, along with digital methods such as e-mail and banner ads. The seed has been planted with recruits using traditional media and lets direct mail do what it does best: provide more detailed information and a call to action.

For the direct marketing portion of the campaign, the Navy adopted two techniques: national mailings to raise awareness and highly targeted mailings to candidates with specific skills, such as medicine or law.

TARGETED MAILINGS

To talk with potential recruits one-to-one, the Navy segments the audience into categories based on the recruits' interests:

- General enlisted prospects might include careers in law

enforcement, information technology and engineering

- Officer candidates in fields such as aviation, nuclear engineering, law and supply management, construction engineers or clergy
- Medical corps personnel including doctors, nurses and medical technicians

Next, the Navy distributes more detailed information to hand-raisers. This group receives a fulfillment piece, that can range from a letter with dozens of variable copy options based on a recruit's interests, to a brochure covering a Naval specialty such as aviation, intelligence, telecommunications and electronics.

The strategy has realized notable results, generating hundreds of thousands of leads per year and draws an average national conversion rate of 5 percent. For example, a mailing to increase recruits for the Navy Chaplain Corps outperformed the previous package sent to potential clergy by 18 percent, based on the cost per eligible lead. The chaplain pieces were segmented along five different religious denominations.

"Direct mail works — and continues to work — for us because we can measure the results of our mailings and test different messages and offers," says Faasse. "It not only gives us



To give local recruiters the flexibility to do their own marketing, the U.S. Navy uses a Web site that allows them to download preprinted brochures and letters that they can use to address specific local needs.



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flexibility in terms of the messaging, but it also lets us build on what is working.”

Once the message is set, Campbell-Ewald works with various list brokers to precisely target candidates. It also accesses a common recruiting database available to all branches of the military. Using this two-pronged approach allows the Navy to create lists for larger segments or smaller targets based on the number of candidates required.

“For example, the Navy needed four Ph.D.-level entomologists, so we sent a very targeted e-mail and direct mail piece to this audience,” says Faasse. “We sent hand-raisers a directory of the medical opportunities available in the Navy, as well as information on how they can qualify for these challenging positions.”

Targets for the Medical Corps solicitation could opt to receive an e-mail, which allowed recipients to get the message in their preferred method. Last year, more than 9 million prospects received e-mail messages informing them of the different career options available in the Navy.

“The tone of the specialty pieces was much different than a general enlisted mailing, which tends to be more provocative and ‘in your face,’ so to speak,” says Joel Benay, Campbell-Ewald senior vice president, creative director. These specialty pieces were more information based and gave specific details about scholarships and other financial programs.

Says Faasse: “The pieces consistently brand the Navy as a strong, progressive institution, and we have the flexibility to change the message based on the target.”

LOCAL DIRECT MAIL

The Navy allows local recruiters to identify their own targets and send them postcards, letters or brochures. In all, more than 6 million pieces were mailed through the national campaign in 2003 and another 20 million pieces sent directly from local recruiters.

To support the national direct mail strategy, the Navy provided a dedicated Web site for local recruiters in 31 districts, allowing them to select and mail preprinted brochures and letters. This approach gives recruiters the flexibility to target a local audience, yet is efficient to hold down the cost of the mailings. The approach is similar to that of a company that has franchisees or dealers.

“Our goal was to let each district benefit from the customization possible while taking advantage of postal discounts and printing efficiencies,” says Faasse. “We work hard with recruiters to find out which tactics work best and encourage them to share best practices on the recruiting command Web site.

“Our campaign is successful because we capitalize on the benefits of each media, including direct mail. Direct mail can be a broad awareness vehicle and can be highly targeted. We use it for both.” ✉

As They Like It

The right market mix wins customers for Carlson Marketing Group

Consumers are awash in a flood of sales pitches gushing from television, radio, print and the Internet. But these days, more people are getting it under control by opting in.

Bottom line: A customer is going to be more responsive to the e-mail you send her if she believes she had a hand in its arrival. Perception is subjective: What might have previously been viewed as spam and automatically deleted now gets at least some consideration. And opt-in e-mail has been endorsed as the best practice for marketers by the Internet Direct Marketing Bureau (IDMB).

Carlson Marketing Group, a Minneapolis-based global provider of relationship marketing services, has found that consumers clearly want options when it comes to receiving marketing messages.

“Consumers are empowered to interact with marketers on their own terms,” says Dennis Armbruster, vice president of consumer marketing at Carlson Marketing Group. “The real catalyst has been the privacy laws and the trend toward consumers’ empowerment — giving them the ability to tell us how they want to be communicated with.”

Using this approach, Carlson recently delivered a consumer marketing campaign for one of its clients, a telecommunications provider. The campaign employed a mix of e-mail and direct mail, sent to consumers who had opted in for both types of communications. The e-mail

was sent first, followed by the companion direct mail piece. As a result, the response rate nearly doubled — from 4.8 percent with direct mail only to 9.1 percent when both media were used.

“Because we got their input, consumers felt like the campaign was designed for them,” Armbruster says. “And, because print tends to have a longer shelf life, we saw more staying power in the response rates instead of seeing a downward trend at the end of the promotional window.”

Armbruster believes that print, especially direct mail, will remain a valid part of any communications strategy, even as electronic communications offer an exciting alternative marketing channel. “Print communications give you more latitude with graphics and detailed content, and in conveying what your brand is all about,” he says. “It also puts the message right in consumers’ hands, where they can respond to it. Sometimes it’s just easier to pick up a catalog than it is to log on to a Web site.”

As new technologies and electronic marketing mediums continue to emerge, Armbruster says finding the optimal balance between electronic and print communications will rely on consumer demand. “The online/offline mix will evolve over time, and we’ll continue to develop new approaches to combining electronic and print communications for our clients that are in line with consumers’ preferences.” ✉



ILLUSTRATION BY JOHN S. DYKES

got game?

BY TANYA IRWIN

PHOTOGRAPHY BY BRYAN HARAWAAY/GETTY PHOTO ASSIGNMENT

Anyone who's been a lifelong Red Sox fan knows a little bit about loyalty. Most important: It pays off in the end.

For David Norton, a longtime BoSox follower, and head of relationship marketing for Harrah's Entertainment, the payoff hasn't taken nearly as long.

The reason? Harrah's has been turning the gaming world on its head by taking a different approach to customer loyalty. Rather than relying on "whales" to pump up revenues, the company is focusing its efforts on the broader casino audience that spends less but visits more often.



To make this strategy work, Harrah's collects extensive data on its customers. It uses that information to build relationships with them and create a more personal interaction that pays off — for the casino and its clientele.

"We've developed a series of activities — all relationship-marketing oriented — to encourage our customers to be more loyal," says Norton, senior vice president of relationship marketing for Harrah's Entertainment.

"We started with a very highly segmented direct marketing program, we reengineered the loyalty program and we relaunched Total Rewards last year. It's just been a continuous story around evolving our marketing capabilities to focus on our best customers. And we've seen really nice results in terms of them becoming more and more loyal to us."

Norton's responsibilities at Harrah's include the company's direct marketing strategy, VIP marketing, revenue management, teleservices, the Total Rewards customer loyalty program, Internet marketing, marketing reinvestment and operational customer relationship management.

About 76 percent of Harrah's gaming revenue can be tied to members of the no-fee Total Rewards loyalty program, Norton says. Of those, about 50 percent were given trips or some sort of

"We have a highly segmented direct marketing program based on customers' life cycles, our inherent knowledge of how loyal they are, how often they come and their daily values."

David Norton, senior vice president of relationship marketing for Harrah's Entertainment

incentive to come in to their network of 26 casinos. "And the vast majority of those offers are made through direct mail," he says.

Total Rewards, a three-tiered, aspirational program, allows Harrah's to gather important customer feedback from a database of 6 million active members. Customers sign up and are given a card, which they swipe when playing a game. The more they play, the more credits they earn; credits that can be used for discounts at onsite stores, preferential seating at casino restaurants and invitations to exclusive events, all the way up to free vacations or shopping sprees.

Harrah's uses the data to deliver targeted, customized messages



and offers to members, either through direct mail or e-mail, Norton says.

"The great thing that we have accomplished, and it's been in place since 1999, is a very highly segmented direct marketing program based on customers' life cycles, our inherent knowledge of how loyal they are, how often they come, and their daily values," he adds.

And because Harrah's uses the same 80 or 90 segments in all of its casino marketing programs, information can be shared among facilities, accelerating learning and the rollout of targeted and customized new offers.

"We can quickly do tests and figure out which types of offers are most influential to customers or how influential a particular marketing intervention is," says Norton. "That's really the routine process that we use for direct mail."

In a nutshell, Harrah's tracks demographic information such as gender, age and address, and combines it with transactional information to drive the segmentation and customization of the marketing interventions.

But while technology-driven marketing initiatives are all the

rage, Norton says traditional direct mail, including a custom-published magazine, is still the bread and butter for Harrah's.

"Traditional direct mail is still No. 1, no doubt about it," he says. "Our industry is such that you are sending coupons or other kinds of offers to customers quite a bit."

And that number of customers continues to grow, especially now that Harrah's has agreed to buy Caesar's Entertainment in July, bringing its network to about 50 casinos, with hubs in Atlantic City, N.J., New Orleans, Las Vegas and Tunica, Miss.

A longtime East Coast resident, Norton says the transition to living in Las Vegas hasn't been so bad.

"It's very livable," Norton says. "People think just about the Strip, but you get outside and if you like golf, or hiking or biking — that sort of thing — it's pretty good. And it's close to L.A. and San Francisco."

Prior to joining Harrah's, Norton worked for the credit card industry, and he sees parallels between that experience and his current work.

"Both industries have a great deal of customer data," he says. "Direct marketing is important in both. It's all about understand-



HARRAH'S ENTERTAINMENT

CORPORATE VICE
PRESIDENT OF LOYALTY
MARKETING
DAVID NORTON
HEADQUARTERS
LAS VEGAS

EMPLOYEES
OVER 40,000
CASINOS
28 in the United States

FOUNDED
1937



ing who your customers are and how can you encourage them to be more loyal to you. So we're not asking people to spend more money gambling. We're just saying why not be more loyal to us. Harrah's has increased the share it gets of its customers' gaming budget to 45 percent."

The key difference is the gaming industry uses direct for relationship marketing, while the credit card industry focuses its direct on acquiring new customers, he says.

Harrah's is just starting a program that involves making offers at the slot machine based on historical information about the customer and what's happening in real-time.

"So if we know it's their birthday, it might mean going out there and giving them some beads and singing Happy Birthday," Norton says.

Currently, Harrah's "luck ambassadors" carry out these interactions. There's thought of using more high-tech ways, such as delivering a reward via a printer hooked to the game, but there's still value in having it done in person.

"We've found that human interaction is positive for the employee as well as for the customer. They both love it." ☐

New View

"We've seen considerable change in the who, what, where and how of marketing, and these changes provide challenges and opportunities for marketers.

I think there's an interesting paradox in that marketers are more focused than ever before on getting in touch with their consumers, but changes are occurring faster than marketers can adapt.

Marketers have been talking about permission-based marketing for years, but we still have much to learn. The U.S. has clearly evolved into a multicultural society, but many organizations are still focused on mass marketing.

Consumers are more diverse than ever before. They also have more choices in what to buy, where to buy it and what marketing and media they choose to consume. As a result, connecting with consumers is more important than ever before. And that increases the importance of direct marketing.

People love the concept of 200 channels, but may watch only 12. It's fun to receive dozens of catalogs, but a consumer may have time to read only three.

This puts a premium on developing products, services and marketing techniques that are compelling, involving and immediate. Direct marketing has often led in this area over the years.

I think the solution is for marketers to adapt to change more quickly by increasing their knowledge of the diverse needs of a changing consumer. Direct marketing offers significant potential for companies to get closer to their customers, drive results and build competitive advantage. That's our goal at The Home Depot." ☐

THE HOME DEPOT

EVP, MERCHANDISING &
MARKETING
JOHN COSTELLO

HEADQUARTERS
ATLANTA

ASSOCIATES
325,000

STORES
1,861

FOUNDED
1978

REVENUE IN 2003
64.8 billion